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SIPDIS

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TAGS: [EFIN](#) [ETTC](#) [KTFN](#) [PREL](#) [AS](#) [ID](#)

SUBJECT: TERRORIST FINANCE: ENGAGING TEH GOI FURTHER ON TF
IN ADVANCE OF PLANNED BA'ASYIR DESIGNATION

REF: SECSTATE 315

Classified By: Economic Officer Tobias Glucksman. Reason: 1.4 (b) and (d).

1. (S) As requested reftel, Embassy Jakarta proposes the following talking points for an initial approach to the Government of Indonesia (GOI) on securing better implementation of Indonesia's exiting UNSCR 1267 obligations. We recommend the same approach this time as in the past, i.e., a separate but coordinate demarche with Australia. We also recommend that at an appropriate time soon we inform the GOI of our intentions to proceed with designating all JI-4 instead of temporarily holding back Abu Bakar Ba'ashir's (ABB) name. A more candid approach will help us convince the GOI that we serve as a constructive partner on 1267 designations and actions to curb terrorist financing. This will provide the GOI more time to consider ABB's designation and whether the GOI should take the lead or co-sponsor the designations. In the past, the GOI has respected the need to protect information related to possible future designations. That said, a leak about a possible ABB designation could turn into a political football. We will need to use care when providing GOI interlocutors pre-notification of a possible ABB designation and stress the importance of guarding this information closely.

2. (S) Although we have seen a growing public acceptance Indonesia of the existence of terror links to radical Islam, ABB retains a small but vocal following; some Muslim and political leaders also question his role in JI and in the terrorist attacks that have rocked Indonesia. Effectively managing the public affairs aspects of this designation would limit the potential negative spillovers that could impact other key U.S. -- and GOI -- counterterrorism objectives. We will draft contingency press points (septel) should a leak occur.

3. (S) We support a UN lead and a low-key U.S. role in the proposed workshop. While we see as important to remind the GOI of its UN commitments, we do not recommend this as a key focus of the workshop. The GOI knows its obligations, but fails on implementation. We recommend, instead that regional partners, such as Malaysia and Australia, provide briefs early in the workshop on how they implement their UN commitments. The Indonesians could follow with a similar brief, which could lead to a constructive dialogue on how to improve GOI processing of UN 1267 designations. We should consult the GOI on the level of regional participation they would find comfortable.

4. (S) We support providing GOI specific leads on 1267 violating accounts from prior designations, and encourage sharing as much information as possible re such accounts.

5. (S) Begin Talking Points:

-- In the past, your government has expressed doubts about the effectiveness of UNSCR 1267 designations of Indonesian citizens. These doubts have drawn on two broad concerns:

(1) fear that certain domestic groups would portray the designations as Western attempts to discredit Islam in Indonesia and undermine your broader CT efforts;

(2) low technical capacity and the nature of terrorist finance in Indonesia mean such designations seem unlikely to produce the discovery and freezing of terror assets.

-- Over the past few years, your government has made significant progress in its CT efforts. Investigations of attacks in Bali, Jakarta and elsewhere have led to over 200 arrests and over 100 convictions.

-- National Police success in killing master bomb-maker Azahari and the discovery of evidence linking his group's activities to radical Islam have prompted prominent Islamic leaders actively and publicly to denounce terrorism.

-- These impressive accomplishments, along with President SBY's strong support for Indonesia's CT efforts, have terrorists on the defensive. They have led to public understanding of the nature of terrorism and encouraged viewing terrorists as criminals. Robberies by terror groups,

such as the December 2005 jewelry store heist in Yogyakarta that resulted in the shooting death of the owner and employees, support depicting terrorists as criminals.

-- Given these positive developments, we remain interested in working quietly to help you make the UN1267 designations process more effective in Indonesia with the goal of curbing the flow of financial resources to terror networks.

-- For now, terrorists in Indonesia use mostly cash and couriers to fund activities and move assets within Indonesia and across its borders, but that will not likely remain so in the future. UN 1267 designations, therefore, have an important role to play in broader CT efforts.

-- Wide publicity of UN designations could deter terrorists from moving assets through your formal financial system.

-- An effective system for processing and implementing UN 1267 designations in the GOI and the financial system would complicate and increase the costs of terrorists' activities and help identify and freeze assets when terrorists do work through Indonesia's financial institutions.

-- With the recent favorable shift in public perception of terrorism and your CT efforts, we see an opportunity for the GOI, by sponsoring or co-sponsoring names to the 1267 Committee, to take ownership of UN designations of those responsible for terror in Indonesia.

-- Developing an effective system in Indonesia to process UN 1267 designations remains a challenge. Administrative procedures and technical capacity shortfalls can produce long delays in notifying some banks of new UN 1267 designations. Many banks have limited capacity to search accounts and report suspicious findings. We know that some UN 1267 designations contain insufficient or inaccurate information that could result in the failure to identify assets or lead to accusations against innocent Indonesians.

-- We would like to work with you and other CT partners to understand better these challenges, help you overcome them and build an improved system for implementing UN1267 designations and asset freezes.

-- We propose to work with you and other CT partners (e.g., the UN, Australia, and other regional partners) and hold a workshop to discuss these issues with representatives from key Indonesian institutions such as the Foreign Ministry, Central Bank, the PPATK, banks and others.

-- We note that Indonesia's Financial Intelligence Unit (PPATK) has made progress in this area. The PPATK has underway a secure website that banks and other financial institutions could check for updates to the UN 1267 list. These institutions would then report suspicious findings.

-- The PPATK and other agencies seek to strengthen Indonesia's anti-money laundering law. One proposed amendment to the law would provide PPATK authority temporarily to freeze assets. Such authority and the development of the website could prove an important start towards improving GOI processing of designations.

-- We want to explore what UN 1267 information seems most useful and ways to improve your financial institutions' capacity to search accounts and report suspicious findings. Australia has technical expertise in this area.

-- We can work together so that Indonesia better meets its commitments and makes effective use of the UN 1267 process.
AMSELEM